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August 13, 2009

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Direct Testimony Summary of AIC President Gary M. Yaquinto;*
Docket No. E-01345A-08-0172

Dear Sir or Madam:

Attached is the summary of the direct testimony of Gary Yaquinto in support of the Proposed Settlement Agreement dated June 12, 2009.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

DOCKETED BY
AUG 18 2009
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Arizona Corporation Commission
MMG/plp
18762-7/2159370

Attachment

cc (w/attachment): Parties on Docket Service List

Original and 13 copies filed with Docket
Control this 13th day of August, 2009.

Direct Testimony Summary of Gary M. Yaquinto
APS Rate Case
Docket No. E-01345A-08-0172

Gary Yaquinto is the President of the Arizona Investment Council ("AIC"), a non-profit association whose membership includes approximately 6,000 individuals—many of whom are debt and equity investors in Arizona utility companies and other Arizona businesses. AIC participated in the negotiations leading to and is a signatory on the Proposed Settlement Agreement dated June 12, 2009.

In his direct testimony, Mr. Yaquinto notes several of the challenges facing APS, including its need for 6,500 megawatts of new resources by 2025 and its commitment to meet those demands in a variety of ways, including significant increases to renewables resource investments and in energy efficiency programs. Key, however, to meeting these challenges and carrying through on the programs outlined in both the Settlement Agreement and the Company's January 2009 Resource Plan is its financial strength and ability to access the debt and equity markets on reasonable terms.

Mr. Yaquinto outlines several reasons for AIC's support of the Settlement Agreement:

- While the Settlement Agreement's revenue increase is well below APS' original request, it does appear adequate to meet the Company's financial challenges in the near term.
- The Settlement Agreement also provides for filing and processing further rate adjustments in 2012 and 2014, which promotes earnings stability and reduces uncertainty.
- The fact that the ACC Staff, RUCO and a broad array of intervenors were able to reach agreement on and support this recommended resolution has also sent a very positive signal to the markets.

Mr. Yaquinto also stresses the importance of the flexibility afforded APS in the requirement to issue \$700 million of new equity through 2014 and several provisions designed to support earnings and, hopefully, a reasonable ROE through the term of the Settlement Agreement. Correspondingly, the Settlement Agreement's requirement of \$150 million in expense reductions will also improve metrics and benefit both shareholders and customers.

The AIC President recommends in his direct testimony that the Commission approve the Settlement Agreement.